

MONTHLY REVENUE REPORT

June 2003

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.55 billion in June 2003, which was up 7.8% from the year-ago level. This increase followed declines of 5.5% and 11.7% in April and May, respectively. While the increase in June was broad based, the most significant gains were realized in the sales, use, and single business tax collections, due largely to noneconomic monthly collection patterns. Other taxes experiencing an increase in revenue collections in June included the tobacco, State education property, real estate transfer, casino wagering, and oil and gas severance taxes. The only major taxes experiencing a decline in revenue collections in June were the income, insurance, and estate taxes. Despite the overall increase in tax collections in June, fiscal year-to-date collections are still down 0.8%. Based on the consensus revenue estimate, the collections from these major taxes are expected to increase 0.7% in FY 2002-03, excluding the additional \$454 million in one-time revenue that will be collected yet this fiscal year due to the acceleration in the collection of the State education property tax. In order to hit the 0.7% estimated growth rate, tax collections will have to increase 3.3% during the remainder of FY 2002-03.

Net income tax collections (gross collections less refunds) totaled \$584 million in June, which was down 6.3% from last year's level. This decline was due to a decrease in gross collections and an increase in refunds. Gross income tax collections (withholding, quarterly, and annual payments) were down 1.4%. Withholding payments were up 2.1%, but this increase was more than offset by declines in both quarterly and annual payments. Income tax collections were further eroded in June by a surprisingly large increase in the amount of refunds paid to taxpayers. Income tax refunds totaled \$73 million in June, compared with only \$34 million last year at this time. On a fiscal year-to-date basis, net income tax collections are down 6.3%, which compares with the consensus estimate of a 1.9% decline for FY 2002-03.

Sales tax collections totaled \$599 million in June, which was up a very strong 20.2% from last year's level. This increase was due to two major factors: 1) a strong increase in motor vehicle sales, and 2) noneconomic timing factors. Sales tax revenue derived from motor vehicle transactions was up a very strong 25.7% in June. In addition, May ended on a weekend and, as a result, some of the sales tax generated by these weekend retail sales was not actually received and collected by the State until the first part of June. Given the strong increase in June, sales tax collections so far in FY 2002-03 are up 2.0%, which is running ahead of the FY 2002-03 consensus estimated growth rate of 1.0%.

Use tax collections, which tend to be very volatile on a monthly basis, increased 13.0% in June to \$117 million. The use tax is assessed on certain transactions including businesses' purchases of goods from outside Michigan, used vehicle sales between individuals, leased vehicle monthly payments, and hotel and motel room charges. Despite the increase in June, use tax collections are still down 6.1% so far in FY 2002-03.

Single business tax collections, which also tend to be volatile, increased 18.2% in June to \$107 million. This large increase helped offset a 21.8% decline in single business tax collections in May. On a fiscal year-to-date basis, single business tax receipts are down 7.3%, which is below the 4.4% decline estimated for FY 2002-03.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for June 2003, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revised revenue estimates for FY 2002-03, which were adopted at the May 2003 Consensus Revenue Estimating Conference.

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MICHIGAN REVENUE UPDATE
JUNE 2003
(dollars in millions)

Type of Revenue	June Collections		FY 2002-03 to Date ²⁾		FY 2002-03 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Gross Income Tax	\$ 656.6	(1.4)%	\$5,124.1	(2.2)%	\$7,473.7	(0.9)%
Refunds	(72.5)	112.0	(1,431.2)	10.2	(\$1,493.8)	3.2
Net Income Tax	\$ 584.1	(7.5)%	\$3,692.9	(6.3)%	\$5,979.9	(1.9)%
Sales Tax	599.1	20.2	4,196.4	2.0	6,504.1	1.0
Motor Vehicles	101.4	25.7	664.1	(0.3)	---	---
All Other Sales Tax	497.7	19.2	3,532.3	2.4	---	---
Use Tax	117.2	13.0	809.0	(6.1)	1,257.2	(3.8)
Tobacco Taxes	77.4	49.1	576.7	48.7	867.9	29.5
Single Business Tax	107.3	18.2	1,190.3	(7.3)	1,895.6	(4.4)
Insurance Tax	0.5	(50.0)	146.6	9.4	250.8	10.4
State Education Property Tax	30.2	17.1	933.9	0.6	2,117.2	33.7
Real Estate Transfer Tax	21.3	6.5	163.5	7.0	260.0	2.7
Estate/Inheritance Tax	3.9	(42.6)	70.1	(23.2)	102.3	(21.9)
Casino Gaming Tax	8.4	9.1	60.8	(1.5)	91.0	(1.0)
Oil & Gas Severance Tax	4.0	29.0	36.1	79.6	42.0	36.8
Total	\$1,553.4	7.8%	\$11,876.3	(0.8)%	\$19,368.0	3.0%
Addendum:						
Gross Lottery Sales 4)	\$138.4	12.3%	\$1,272.3	(1.3)%	\$1,680.0	(0.4)%
Net to School Aid Fund 4)	\$ 47.6	7.7%	\$ 449.3	(3.6)%	\$ 588.0	(4.2)%

1) Total collections are unadjusted cash collections unless otherwise noted.

2) FY 2002-03 year-to-date collections begin with November 2002 collections to reflect accrual accounting.

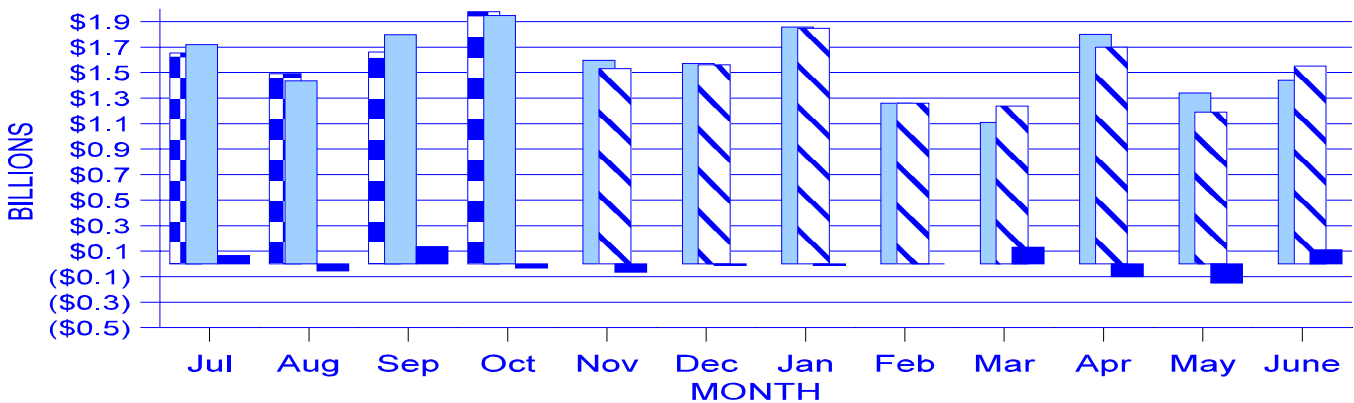
3) Revenue estimates adopted at the May 13, 2003, Consensus Revenue Estimating Conference.

4) Lottery revenue is not accrued, so FY 2002-03 lottery revenue will include October 2002 to September 2003.

Actual Revenue Collections for Major State Taxes*

July 2001 to June 2003

CASH COLLECTIONS (Billions of Dollars)



*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.